

BEFORE THE TENNESSEE REGULATORY AUTHORITY

REC'D TN
REGULATORY AUTH.
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OFFICE OF THE
EXECUTIVE SECRETARY

IN RE:

THE PETITION OF KINGSPORT POWER
COMPANY TO CHANGE AND INCREASE
CERTAIN TARIFFS, RATES AND CHARGES
FOR ELECTRIC SERVICE

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DOCKET NO. 92-04425

**NOTICE OF TEMPORARY AND PERMANENT CREDITS PURSUANT TO
PURCHASED POWER ADJUSTMENT RIDER**

Comes Kingsport Power Company ("KgPCo") pursuant to the terms of the order of November 3, 1992 ("Order") approving the Settlement Agreement in this action and informs the Tennessee Regulatory Authority ("Authority") as follows:

1. The Federal Energy Regulatory Commission ("FERC") in docket ER92-324-000 has taken final action and rates have been approved and implemented effective for wholesale service on and after June 1, 1999 from Appalachian Power Company ("APCo") to KgPCo. [Note: The actual approval occurred after June 1, 1999, but APCo began billing the new lower rate as of June 1, 1999].

2. As a result of the FERC action, the rate charged KgPCo by APCo was reduced.

3. As a result of the FERC action, KgPCo was paid a refund by APCo of amounts charged by APCo in excess of the approved rate. The adjusted refund amount is \$17,217,323.75.

NOW, THEREFORE, pursuant to the requirements of KgPCo's Purchased Power Adjustment Rider ("PPAR"), KgPCo notifies the Authority as follows:

1. To implement the pass through of the reduced wholesale rate from APCo, KgPCo will implement a permanent negative surcharge (credit) effective for kilowatt-hours billed commencing

with September's billing cycle one beginning on August 27, 1999. See proposed tariff sheet 2-10 attached hereto.

2. To implement the refund required by the Order, KgPCo will implement a temporary negative surcharge (credit) effective for kilowatt-hours billed commencing with September's billing cycle one beginning on August 27, 1999 and continuing for approximately twelve months. See proposed tariff sheet 2-10 attached hereto.

Respectfully submitted

Counsel:

KINGSPORT POWER COMPANY

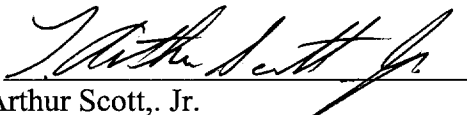
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PURCHASED POWER ADJUSTMENT RIDER

7. Credits

Pursuant to the provisions of this Rider, a temporary and permanent Purchased Power Adjustment Rider credit will be applied to each kilowatt-hour as billed under the Company's filed tariffs, except in the case of the Company's OL tariff which will be applied based on a per lamp equivalent basis.

The Purchased Power Adjustment Rider credit applicable to each tariff is set below:

<u>Tariff</u>	<u>Temporary</u> ^{1/} (\$/KWH)	<u>Permanent</u> (\$/KWH)
RS	.01339	.00140
SGS	.01085	.00114
MGS	.01097	.00115
EHG	.01174	.00123
CS	.01119	.00117
PS	.01314	.00138
LGS	.01042	.00109
IP	.00789	.00083
OL	.11004	.01154

^{1/} The temporary Purchased Power Adjustment Rider credits shall remain in effect until the purchased power expense is fully refunded to customers (pursuant to an order by the Federal Energy Regulatory Commission in Docket No. ER92-324-000). The final adjustment will be recomputed to reflect any timing differences and will flow back the remaining refund to customers. After the final adjustment is made, the temporary credit will no longer apply.

CERTIFICATE OF SERVICE

The undersigned does hereby certify that a true and accurate copy of the **NOTICE OF TEMPORARY AND PERMANENT CREDITS PURSUANT TO PURCHASED POWER ADJUSTMENT RIDER**, was served by mailing same to the following by U.S. First Class Mail, Postage Prepaid this 21st day of July, 1999:

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